

RBC WEALTH MANAGEMENT

ADVISORY PROGRAMS DISCLOSURE DOCUMENT

Form ADV, Part 2A Appendix 1, Wrap Fee Program Brochure

June 29, 2012

Consulting Solutions

Managed Account Program

Portfolio Focus®

RBC Advisor

RBC Total Portfolio

This wrap fee program brochure provides you with information about the qualifications and business practices of RBC Wealth Management, a division of RBC Capital Markets, LLC, Member NYSE/FINRA/SIPC ("RBC WM"), an indirectly wholly-owned subsidiary of Royal Bank of Canada. This brochure describes only the Consulting Solutions, Managed Account Program, Portfolio Focus, RBC Advisor and RBC Total Portfolio programs offered by RBC WM. This document provides investors with information about RBC WM and the programs that should be considered before becoming a client of a program. Contact us at (612) 371-2711 if you have any questions about the content of this brochure. This information has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or any state securities authority. Please retain for your records.

Additional information about RBC Wealth Management is available on the SEC's website at www.adviserinfo.sec.gov.

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RBC Wealth Management®

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ITEM 2: MATERIAL CHANGES

In this Item 2, RBC WM is required to identify and discuss all material changes to its Advisory Programs Disclosure Document (Form ADV Part 2A Appendix 1, Wrap Fee Program Brochure). Since the January 27, 2012 version of the Advisory Programs Disclosure Document, we have the following material updates.

Beginning as of July 2012, in limited circumstances, certain wrap account clients may pay an annual fee rate that is based on the mix of asset classes held in the account and applied to the billable value of the advisory assets in the account, rather than a flat fee rate based solely on the billable value of the advisory assets. More detail on this fee change and the potential conflict of interest it raises can be found under Item 4: Services, Fees and Compensation.

It is alleged by FINRA that RBC Capital Markets, LLC ("RBC CM") violated FINRA/NASD rules 1122, 2010, 2110, 3010 by failing to establish and maintain a supervisory system and establish, maintain and enforce written supervisory procedures reasonably designed to comply with applicable rules and regulations pertaining to short-term transactions in Closed-End Funds. On May 10, 2012 RBC CM was censured, fined \$200,000 and ordered to pay partial restitution of \$70,000 to a customer.

The Massachusetts Securities Division alleged that RBC CM failed to supervise and made unsuitable recommendations to brokerage and advisory clients regarding the purchase of leveraged, inverse and inverse-leveraged Exchange Traded Funds. On May 2, 2012 RBC CM entered into a consent order with the Massachusetts Securities Division under which RBC CM has paid a fine of \$250,000 and offered restitution of approximately \$2,900,000 to certain clients.

RBC WM will provide you with a new Advisory Programs Disclosure Document without charge, upon request to your Financial Advisor. Our Advisory Programs Disclosure Document is also available on the SEC's web site, www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with RBC WM who are registered, or are required to be registered, as investment adviser representatives of RBC WM.

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This Disclosure Document provides a complete description of the services provided and the fees payable under each of the following advisory programs (individually, a “Program” and, collectively, the “Programs”) sponsored by RBC Wealth Management (“RBC WM,” “we,” “us,” or “our”).

- Consulting Solutions
- Managed Account Program (“MAP”)
- Portfolio Focus
- RBC Advisor
- RBC Total Portfolio

ITEM 4: SERVICES, FEES AND COMPENSATION

Program services are provided pursuant to an Advisory Programs Client Agreement and Terms and Conditions and, if applicable, Tax Overlay Management Services Enrollment Form (collectively, the “Program Agreement”). Each of the Programs (other than RBC Advisor) provides for discretionary management of your account, meaning that the investment manager, overlay manager, or RBC WM, as applicable, will buy, sell, and otherwise effect transactions in stocks, bonds, and other securities or assets without consulting you and without your prior consent.

The Programs are customized advisory Programs sponsored by RBC WM. Our Financial Advisors work closely with you to analyze and define your investment objectives and needs. Based on this analysis and the services selected by you, the Financial Advisor will recommend an appropriate investment strategy. In the Programs, we owe a fiduciary duty to you under the Investment Advisers Act of 1940, as amended (“Advisers Act”).

For investment advisory, brokerage execution, and other services rendered under a Program, you pay us a single quarterly Program fee based on the value of your account (regardless of the number of trades placed). Alternatively, in the Managed Account Program (“MAP”), you may elect to pay a commission for each transaction made in the account (the “Commission Method”), as described below under *Program Fees — Managed Account Program* for payment of services provided by us. Additionally, the fees of investment managers under MAP are not included in the compensation you pay to us.

Account assets may consist of a variety of securities, including but not limited to:

- equity securities;
- bonds (both taxable and non-taxable);
- mutual funds (load-waived and no-load);
- exchange traded products (“ETPs”), including exchange traded funds (“ETFs”), and exchange traded notes.

Securities selected are subject to any limitations imposed by you, the investment manager, overlay manager, or us.

Analysis of Client Investment Objectives

We review and analyze your investment objectives, financial condition, time horizons, and risk parameters based on the information you provide to us. At the outset, your Financial Advisor consults with you to identify and evaluate your needs, perceived risk tolerance, and other pertinent investment considerations. This information is used to determine a risk profile (“Risk Profile”). You may also establish written investment guidelines to be used in addition to the Risk Profile, subject to acceptance by us, the overlay manager and any third-party investment managers, if applicable.

Based on our understanding of your investment needs and objectives gained from the consultation process and the Risk Profile (and any additional written investment guidelines), the Financial Advisor develops an appropriate investment strategy for the management of your account. You are responsible for promptly bringing to our attention any material changes in the information provided in the Risk Profile or your financial condition, as well as any additional written investment guidelines.

A. General Description of Programs

Consulting Solutions

Consulting Solutions is an advisory Program through which client accounts are managed by one or more client selected professional investment managers participating in the Program. Alternatively, through this Program, we offer model portfolios, managed by us acting as an overlay manager. As overlay manager, we manage the account in accordance with a single model portfolio provided by us or another model portfolio provider.

We make available investment managers or model portfolio providers who meet our eligibility requirements for participation in the Program. See Item 6: *Portfolio Manager Selection and Evaluation*.

The Financial Advisor may provide you with information on investment managers or model portfolios with investment styles and strategies that may be compatible with your Risk Profile.

In the Client Agreement with us, you authorize the model portfolio provider to select securities for your account by delivering a model portfolio to RBC WM. In our capacity as the overlay manager, we will implement the model portfolio subject to any written investment guidelines submitted by you that are accepted by us. Where we do not act as the overlay manager, the investment manager will implement the investment decisions for your account.

In the Consulting Solutions Program, you sign a Client Agreement with us. You do not sign a separate agreement with the investment manager.

Overlay Manager

We generally perform the role of overlay manager. The overlay manager will effect the securities transactions required to conform to revisions in the model portfolios as soon as practicable after they are received, subject to any written client-specific investment guidelines, such as security restrictions; however, delays may occur between the communication of model revisions and the execution of securities transactions for the account. The overlay manager intends to manage an account so that the estimated investment performance does not substantially deviate from the model portfolio(s), provided client-specific investment guidelines make it practicable to do so.

Rebalancing of Assets

For those model portfolios where we act as overlay manager, assets are evaluated on a regular basis. We generally employ a regular rebalancing process that reviews market actions, your contributions, your withdrawal requests and model changes that have been directed by the model portfolio provider. In some cases, depending on the underlying investment strategy, and at the discretion of us, client accounts may be rebalanced at regular intervals such as quarterly, semi-annually or annually, if the underlying investments deviate by certain parameters from the model portfolio. We, in consultation with the model portfolio providers, determine the parameters and intervals for rebalancing. The Program does not allow you to direct the rebalancing frequency or methodology or opt out of rebalancing your account.

Managed Account Program

The Managed Account Program, or MAP, is an advisory Program through which your account is managed by one or more professional investment managers selected by you in accordance with your Risk Profile. In MAP, you may elect to pay us separately for each transaction, as described below under *Program Fees*. You are also responsible for payment of each investment manager's fee, which is negotiated separately between you and the selected manager(s). You are required to meet the individual requirements of each investment manager you select and to enter into an investment advisory agreement directly with the manager. We do not review or negotiate any investment manager's investment advisory agreement on your behalf.

This Program is designed to permit you, in consultation with an RBC WM Financial Advisor, to choose an investment manager that you believe is appropriate and to receive certain brokerage and/or other services from us, regardless of whether the manager has received any degree of scrutiny from us. See Item 6: *Portfolio Manager Selection and Evaluation*.

Portfolio Focus

In the Portfolio Focus Program, we will manage the assets in your Portfolio Focus account on a discretionary basis in accordance with your Risk Profile and subject to our guidelines for the Program. In the exercise of this discretion, we will designate a Financial Advisor to carry out this function for us and they will work closely with you to analyze and define your investment objectives and needs. Based on this analysis and evaluation, we provide discretionary investment management, reporting, and other services to you.

Account assets may include a variety of securities including, but not limited to: eligible equity securities; investment grade bonds (both taxable and non-taxable); wrap-eligible mutual funds (load-waived and no-load); and ETPs. To assist in the management of Portfolio Focus accounts, we provide the Financial Advisors with various sources of information, which may include research materials, financial publications and public filings. We may also provide the Financial Advisor with various model portfolios which the Financial Advisor may consider for discretionary management. We may offer different investment options in the Program based on the Financial Advisor's experience and qualifications.

RBC Advisor

RBC Advisor is an advisory Program through which you receive non-discretionary advice for investing in eligible securities in your account.

Based on our understanding of your Risk Profile (and any additional written investment guidelines established for you), the Financial Advisor recommends an appropriate investment strategy to you. The Financial Advisor may recommend eligible securities, including mutual funds offered at their net asset value without any front-end or deferred sales charge, which may also include no-load funds, that your Financial Advisor believes possess investment characteristics that are consistent with your Risk Profile. If the investment strategy will be implemented with mutual funds only, you may select from the various eligible mutual funds and specify, in writing, the mutual funds in which account assets are to be invested and the allocation among those funds for the purposes of rebalancing (described below). This written fund allocation may subsequently be modified by notifying your Financial Advisor.

We have no discretionary authority with respect to RBC Advisor accounts. You have sole discretion to accept or reject an investment strategy or any specific recommendation to purchase, sell, or redeem securities. Other than in connection with our consulting responsibilities, as described above, we do not assume responsibility for the performance of the securities selected by you.

Although we have no discretion over RBC Advisor accounts, if you choose automatic rebalancing (described below), we will have the limited authority to rebalance the allocation of the account as directed by you. Any such purchases and/or redemptions of mutual fund shares will be made as described below under *Rebalancing of Assets*.

An RBC Advisor account is not for day trading or excessive trading, including trading in securities based on market timing, and accounts may be restricted or terminated at our discretion upon written notice to you.

For RBC Advisor, we generally consider and select for RBC Advisor securities that are SEC-registered. In identifying and selecting securities eligible for recommendation in RBC Advisor, we may use many sources of information and analysis about securities, including data provided by independent third parties. This information includes, but is not limited to various internally and externally produced research materials, model portfolios, rating services, timing services, annual reports, prospectuses, financial newspapers and magazines, other SEC filings, and company press releases.

Eligible Securities and Transactions

In general, you may utilize the RBC Advisor account to hold or execute transactions in any or all of the following types of investments:

- American depositary receipts (ADRs)
- Closed-end funds
- Designated option strategies
- Publicly traded master limited partnerships (MLPs)
- Rights and warrants
- Listed and unlisted stocks
- Certificates of deposit (CDs)
- Corporate bonds
- Convertible bonds (domestic)
- Government and agency bonds
- Municipal bonds
- Preferred stocks
- Treasury notes, bills and bonds
- Designated open-end mutual funds (both load-waived and no-load)
- Designated unit investment trusts (UITs)
- Designated alternative investments
- Designated structured products
- ETPs

Certain types of securities are ineligible and may not be purchased within an RBC Advisor account. Ineligible securities include, without limitation: annuities; commodities; currency options; foreign currency; foreign stocks and bonds that are not designated as eligible; futures; insurance products; limited partnerships or other partnership interests that are not publicly traded and are not designated as eligible alternative investments; options that are not designated as eligible; open-ended and other mutual funds that are not designated as eligible, including, without limitation, all class B and C shares; precious metals; private placements; UITs; and alternative investments that are not designated as eligible. This list is not exhaustive and is subject to change without notice. Please confirm with us in advance whether a specific security is eligible.

Certain securities purchased within the RBC Advisor account may be accompanied by a prospectus or Private Placement Memorandum (“PPM”). You should obtain and read the prospectus or PPM carefully before investing.

Rebalancing of Assets

If the investment strategy selected by you includes an asset allocation comprised entirely of eligible mutual funds, you have the option to choose one of two alternative procedures for bringing the account back to its investment allocation (that is, “rebalancing” the account):

- automatic rebalancing; or
- being alerted by us when rebalancing is recommended (“alert rebalancing”).

If your account is comprised entirely of mutual funds, you are not required to select auto or alert rebalancing options. However, if you choose rebalancing, we will reallocate the account each quarter, in accordance with the rebalancing procedure selected by you, if the allocation to any asset class at that time deviates from the investment allocation by 5% or more, or if the assets in your money market fund and/or Cash Sweep Option (as described below under *Other Considerations for Program Accounts — Cash Balances*) exceed the allocation by \$1,000 or more. Automatic rebalancing will not occur until the account has been open at least one full calendar quarter. The account will be rebalanced to within 3% of your selected investment allocation, except that accounts with less than \$25,000 in value will be rebalanced to the penny.

If you do not select one of the rebalancing options above, you assume responsibility for advising us when you determine rebalancing should occur.

If your account is not tax-exempt, the redemption or exchange of mutual fund shares may result in taxable gains or losses. You should consult your tax advisor prior to selecting the automatic rebalancing option or

directing us to rebalance after receiving a rebalancing alert. We will not be liable for any tax consequences or mutual fund redemption fees (see the fund's prospectus) as a result of rebalancing.

RBC Total Portfolio

RBC Total Portfolio is an advisory Program through which your account is managed by a third-party overlay manager, Placemark Investments, Inc. The overlay manager manages the account through investments in mutual funds, ETPs, and/or in accordance with one or more model portfolios provided by investment managers or us. Your Financial Advisor may provide you with information on mutual funds, ETPs, and/or model portfolios representing different investment styles and strategies that may be compatible with your Risk Profile.

Recommendation of Investment Strategy

Based on our understanding of your Risk Profile (and any additional written investment guidelines established for you), the Financial Advisor recommends an appropriate investment strategy for you. If the strategy includes an asset allocation, it will also include an investment allocation — that is, an assignment of a percentage of the overall value of the asset class to one or more mutual funds, ETPs, or model portfolios. You select from the eligible investments and specify, in writing, the investments in which account assets are to be invested and the allocation among those investments. Your investment allocation may subsequently be modified by you by notifying us of the changes. Any such changes will be effective only upon confirmation by us and the overlay manager.

The overlay manager will effect the securities transactions required to conform to revisions in the model portfolios as soon as practicable after they are received, subject to any written client-specific investment guidelines such as security restrictions or tax overlay management services; however, delays may occur between the communication of model revisions and the execution of securities transactions for the account. The overlay manager intends to manage an account so that the estimated investment performance does not substantially deviate from the model portfolio(s), provided client-specific investment guidelines make it practicable to do so.

We have no discretionary trading authority with respect to the accounts. You have sole discretion to accept or reject any investment strategies or investment allocations. Other than in connection with our consulting responsibilities described above, we do not assume responsibility for the conduct of the overlay manager, including its performance or compliance with law or regulations.

Rebalancing of Assets

You may choose between two rebalancing frequencies (quarterly or annually) for bringing an account back to its written investment allocation. The overlay manager will rebalance the account at the time period selected by you in the Client Agreement if the allocation to any investment at that time deviates from the investment allocation by 5% or more. Rebalancing will not occur until the account has been open for at least one full calendar quarter. The overlay manager will effect the trades necessary to rebalance the account until all investments are within 2% of your selected investment allocation. If you have elected to receive tax overlay management services (described below), the overlay manager will evaluate the trade off between rebalancing the account and the tax consequences of any client constraints or tax mandates. If your account is not tax-exempt, the sale, redemption or exchange of investments may result in taxable gains or losses. We will not be liable for any tax consequences or mutual fund redemption fees (see the fund's prospectus) as a result of rebalancing.

Alternatively, you may elect to not have the account rebalanced systematically; rather the account will only be rebalanced upon your request.

Tax Overlay Management Services

Tax overlay management services are available as an option for accounts utilizing model portfolios. If you elect tax overlay management services, the portion of your fee paid as the management fee on your account will increase. The overlay manager will develop a tax strategy for your account based on the information and instructions provided by you in the Tax Overlay Management Services Enrollment Form. Tax overlay management services in an investment account offer benefits and limitations, as described below. The tax strategy developed for you by the overlay manager is provided solely in connection with your account and the overlay manager does not provide general tax planning services. If you do elect the tax overlay management services option, please consider the following:

- Tax overlay management services are limited in scope and are not designed to eliminate taxes in the account.
- If you select tax overlay management services for the account, information provided may result in the overlay manager making substantial deviations from the investment allocation on a more than temporary basis.
- The overlay manager intends to manage the account so that the estimated investment performance does not substantially deviate from the model portfolio(s), provided client-specific mandates make it practicable to do so.

- When providing tax overlay management services to the account, short-term gains are avoided where possible, but long-term gains are not limited. Limits can be set by you in the Tax Overlay Management Services Enrollment Form.
- If you subsequently disable tax overlay management after enrolling in the tax overlay management service, the overlay manager will begin managing the account as if it is not tax managed which may result in the recognition of significant gains.
- You should only complete the Tax Overlay Management Services Enrollment Form after consulting with a tax advisor.

Any tax loss carryover specified for the current calendar year may be taken into consideration by the overlay manager in managing the account. You should update this information annually. On an ongoing basis, any losses taken in the account may be taken into consideration in managing the account. If you recognize gains outside the account that result in the use of the specified losses, you must notify us and we will in turn notify the overlay manager, so that the loss carryover amount may be reduced accordingly.

Mandates or the use of limits to restrict the amount of gains realized or your total tax bill may severely restrict trading in the account and could result in substantial deviations from the investment allocation. Mandates and limits should only be imposed on the account after you have consulted with your tax advisor. Amounts specified will be used annually until you specify otherwise.

For more information on Tax Overlay Management Services, please refer to Placemark's ADV.

Other Considerations for Program Accounts

Cash Balances

If selected by you, cash custodied at RBC WM will be automatically invested or deposited the next business day (as applicable). This automatic process is referred to as a "Cash Sweep Option". Investments for non-retirement accounts will be made in shares in a money market fund managed by RBC Global Asset Management (U.S.) Inc. ("RBC GAM (U.S.)"), an affiliate, in RBC WM's Credit Interest Program, RBC Bank Deposit Program or an unaffiliated money market fund. Investments for retirement accounts will be made in shares of a money market fund unaffiliated with RBC WM. You should review the Client Account Information Agreement for details regarding our Cash Sweep Option and the Credit Interest Program. The Credit Interest Program and the RBC Bank Deposit Program are described in more detail in Item 9: *Other Financial Industry Activities and Affiliations*.

Deposits

You may deposit additional money into a Program account at any time (subject, for retirement accounts, to any limitations imposed under the retirement plan documents or the Internal Revenue Code of 1986, as amended).

For RBC Advisor accounts, if you have not elected automatic or alert rebalancing, all deposits will remain in the Cash Sweep Option. However, absent an instruction to the contrary, if you have elected automatic or alert rebalancing and you deposit money so that the Cash Sweep Option balance in the account exceeds the allocation by at least \$1,000, the excess of the money market fund balance over the fund allocation will be reallocated according to the rebalancing process previously described.

Deposits to Consulting Solutions, MAP, Portfolio Focus, or RBC Total Portfolio accounts will be invested by the investment manager, overlay manager, or Financial Advisor, as appropriate.

Withdrawals

You may make withdrawals from a Program account upon prior notice to us (effective upon actual receipt of such notice). Withdrawals will be funded first from available amounts in the Cash Sweep Option, then from the proceeds of sales or redemption of securities in the account. In the event that an orderly liquidation of securities cannot be accomplished by us in a timely manner, we may affect any such withdrawal by delivering securities in kind to you.

For automatic or alert rebalancing RBC Advisor and RBC Total Portfolio accounts, unless otherwise directed by you, withdrawals will be funded first from amounts in the Cash Sweep Option, then sufficient securities will be sold or redeemed according to the rebalancing process.

Termination

In any Program, you may terminate your Program Agreement with us at any time by written notice to us. The Program Agreement will terminate upon our receipt of your written notice of termination. We may terminate our Program Agreement with you upon written notice to you, or upon the occurrence of certain events as described in the Program Agreement. Termination of the Program Agreement does not terminate any investment advisory agreement directly between you and any investment manager in the MAP program. As further described below under *General Information on Fees*, upon termination, we may owe you a prorated portion of fee.

Eligibility and Classification of Certain Investments

In identifying and selecting mutual funds eligible for recommendation in Advisory Programs, we may use many sources of information and analysis about funds, including data provided by independent third parties. Generally, however, SEC-registered mutual funds are eligible for the Programs if the funds are either “no-load” or agree to waive any front-end sales charges, have no contingent deferred sales charges (unless otherwise specified), and trade through standard facilities utilized by us. Thus, a broad array of funds are available for evaluation by you, investment managers and Financial Advisors in the context of implementing an investment strategy. In accordance with regulations, we will deliver a mutual fund’s current prospectus to you only when you purchase the mutual fund or ETP shares through us. In situations where you purchase mutual fund shares or ETPs through another financial institution, you must rely on the firm through which the shares were purchased for delivery of a current prospectus.

Certain securities, such as annuities that are not designated and not held by us may appear on your periodic activity statements for informational purposes only. These assets are not considered to be advisory assets covered under the Program Agreement and are not subject to the advisory fee.

Performance Monitoring and Client Communications

With respect to all Programs, we may provide you with a performance evaluation of the account on a periodic basis (“Portfolio Review”). The Portfolio Review may include the performance of the account in terms of rate of return and compare the account’s performance to that of selected benchmarks.

To compute the value of assets held in an account custodied at RBC WM, we value the mutual fund shares at their respective net asset values as reported on the valuation date by each mutual fund. Securities traded on a national securities exchange will be valued at the last sale price on the exchange or if there has been no sale that day, at the last known bid price. Securities that are traded over-the-counter and on a stock exchange will be valued according to the broadest and most representative market. Securities for which market quotations are not readily available will be valued at the known current bid price believed by us to most nearly represent current market value. Other securities and all other assets will be valued at fair value as determined in good faith by us or an independent third party retained by us. For assets not custodied at RBC WM, we will rely on the information provided to us by custodian.

Designated alternative investments are valued based upon the value provided by the investment manager on a regular basis which may be as frequent as monthly, but at least annually.

Assets not held at RBC WM may not be included in any performance calculations on the Portfolio Review.

Portfolio Reviews merely provide historical information regarding an account and should not be relied upon as predictive of future performance.

We provide you (and, where appropriate, your investment manager(s) and/or overlay manager(s)) with the following reports of relevant activity in an account:

- trade confirmations reflecting all transactions effected with or through us (other than cash sweep transactions) unless designated otherwise by the client;
- monthly statements itemizing all transactions in cash and securities and all deposits and withdrawals of principal and income during the preceding calendar month and a listing of securities in custody held in the account (monthly statements may not be generated if there is no activity in the account during the month); and
- quarterly statements listing securities in custody held in the account.

Risks

You are advised and should understand that:

- past performance of investment managers, model portfolio providers, RBC WM, Financial Advisors, or securities selected by you is not a guarantee of future results;
- market conditions, interest rates, and other investment-related risks may cause losses in your account;
- the risk parameters or comparative index selections provided for accounts are guidelines only — the selected risk parameters may be exceeded and index comparisons may outperform your account;
- all trading in your account is at your risk; and
- the value of the assets in your account is subject to a variety of factors, such as the liquidity and volatility of the securities markets.

Risks Relating to Money Market Funds

An investment in a money market fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, there is no assurance that will occur, and it is possible to lose money if the fund value per share falls. Moreover, in some circumstances, money market funds may be forced to cease operations when the value of a fund drops below \$1.00 per share. If this happens, the fund’s holdings are liquidated and distributed to the fund’s shareholders. This liquidation process is likely to take a month or more. During that time, these funds would not be available to you to support purchases, withdrawals and, if applicable, check writing or ATM debits from your account.

Risks Relating to Differing Classes of Securities

Different classes of securities have different rights as creditor if the issuer files for bankruptcy or reorganization. For example, bondholders' rights generally are more favorable than shareholders' rights in a bankruptcy or reorganization.

Tax Considerations

The payment of the fees described below under *Program Fees* may produce income tax results different from those resulting from the payment of brokerage commissions or other transactional charges on a per trade basis. We do not offer advice with respect to these matters and you should seek the counsel of a qualified tax advisor, accountant and/or other professional in this respect. If you are not a tax-exempt entity, the sale, redemption or exchange of investments may result in taxable gains or losses. Further, it is your responsibility to ensure that the payment method selected, and subsequent treatment of the related expenses, complies with applicable tax laws and other regulations.

General Information on Fees

The Program fee, as described below for each Program, may be negotiated between you and your Financial Advisor and is set forth in the Client Agreement. You may pay higher or lower fees depending on considerations such as the size of your account, the amount of time you have had an account with us, the combined value of related advisory accounts, the total amount of business you conduct through RBC WM, the types of securities and services provided, and other relevant criteria. In certain circumstances, accounts subject to minimum fees as described below may pay effective fee rates that exceed the fee rate(s) stated on the Client Agreement. In all cases, the maximum effective annual Program fee paid on any Program selected will not exceed 3% annually.

Program fees include compensation for:

- an initial analysis of your investment needs and objectives with periodic re-evaluations by us;
- consulting services provided by us as to investments and/or investment managers, as applicable under the Program;
- investment advisory services and portfolio management services rendered by us and, if applicable, the overlay manager(s), and/or the investment manager(s) selected by you under a Program (except for investment managers selected in the MAP program);
- custodial and execution services (including brokerage commissions) provided by us; and
- other account related services provided by us.

If you have elected to compensate us through the Commission Method under MAP, you do not pay a Program fee and instead pay us for execution services rendered with respect to each securities transaction in the account (see *Program Fees — Managed Account Program*).

Asset-based Program fees are calculated as a percentage of the account value. Fees are generally payable in advance on a quarterly basis, and are calculated based on our appraisal of the market value of the billable assets in the account as of the last business day of the preceding calendar quarter or based on the value provided by the custodian. Where permitted, you may elect to be billed on an alternative quarterly cycle. Asset-based fees are assessed on all billable assets under management, including securities, cash, money market funds, RBC Bank Deposit Program balances or Credit Interest Program balances.

Generally, fee rates are expressed as a schedule of rates applying to different asset levels, or "breakpoints". When the fee is expressed as a schedule of rates corresponding to different breakpoints, discounts, if any, are negotiated separately for each breakpoint. With breakpoints, the fee rate varies based on asset levels and may change as assets increase or decrease in your account. Accounts may be related to reach fee breakpoints. When accounts are related, calculated fees are aggregated and then prorated among the related accounts based upon their market value.

In some circumstances, you may pay an annual rate that is a fixed percentage of the assets in the account. Alternatively, in limited circumstances, you may pay an annual fixed dollar amount. In either case, the fixed percentage rate or fixed dollar amount, as applicable, does not change as the value of your account changes.

In limited circumstances, you may pay an annual rate that is based on the mix of asset classes held in your account and applied to the billable value of the advisory assets in the account, rather than a flat fee rate based solely on the billable value of the advisory assets. The effective fee rate on the account may increase or decrease over time as the allocation of assets in your account changes.

Program fees are prorated for any billing period that is less than a complete quarter, although fee minimums may apply in certain circumstances such as early termination. Asset-based fees may be adjusted proportionately based on the value of cash or securities added or withdrawn from the account between billing periods.

You can elect to be invoiced for the amount of the fees, authorize us to deduct the amount of the fees from your account, or direct us to deduct the fees from another of your RBC WM accounts (provided the account is not a

retirement account). Automatic fee deductions will be funded from available cash or the proceeds of the sale of securities in the account.

Transferred Mutual Fund Shares

We may, in our discretion, accept into a Program account shares of mutual funds held in other RBC WM advisory or brokerage accounts and purchased outside of a Program account at RBC WM or at other financial institutions. Mutual fund shares transferred into a Program account are referred to as “Transferred Shares.” You may have been assessed a sales load, sales charge, or distribution fees on Transferred Shares prior to their transfer into your Program account. You will not be charged the applicable Program fee on Transferred Shares that were purchased at RBC WM with a front-end sales load until you have held those shares for two or more years from the date of initial purchase. Transferred Shares purchased at other financial institutions will be subject to the applicable Program fee immediately, regardless of whether you paid a front-end load or other compensation. Because the exception is not available for Transferred Shares purchased at another financial institution, the overall cost to you of transferring mutual fund shares into a Program account may be higher for shares you purchased at another financial institution. You should review the costs carefully before making a decision to transfer mutual fund shares into a Program account.

Ineligible Securities

If a Program account is funded with assets that are ineligible for the Program, generally those assets will be liquidated by us or moved to another account where such assets are eligible. The account may incur certain transaction charges.

Fees Upon Termination

If the Program Agreement is terminated prior to the last day of the calendar quarter, a prorated portion of the Program fees paid by you, based upon the days remaining in the quarter, will be refunded to you as required by applicable law. Terminations involving accounts that have been funded for less than one year will be subject to the minimum annual fee less any fee payments made through the date of termination.

Program Fees

The fees for each Program as described below will apply to new accounts beginning January 27, 2012. In any Program selected, the maximum effective annual Program fee paid will not exceed 3% annually. Accounts opened prior to January 27, 2012, may be subject to different minimum fees.

Consulting Solutions

Under Consulting Solutions, the fee covers the services provided by us, and investment manager(s) or model

provider(s) you select. In cases where a portion of the Client fee is paid by us to investment managers and/or model portfolio providers, Consulting Solutions account assets are subject to a minimum quarterly fee of \$250 (\$1,000 annually). In all other cases, accounts are subject to a minimum quarterly fee of \$125 (\$500 annually).

The portion of the fee paid by us to the investment managers and model portfolio providers typically ranges from the annual rate of 0.00% to 0.75% of account assets under management depending on the type of investment strategy and the total amount of assets allocated to the investment manager or model portfolio provider. Investment manager and model portfolio provider fee rates may vary based on a variety of factors including, but not limited to, type of investment strategy, types of services provided, and fee negotiations between RBC WM and the investment manager or model portfolio provider. In some cases incremental fee schedules are negotiated which will lower the effective fee rate we pay to investment managers and model portfolio providers as the total amount of assets allocated to the investment manager or model portfolio provider increase. The portion of the fee earned by us as overlay manager typically ranges between 0.05% and 0.15% depending on the investment strategy of the model portfolio.

Managed Account Program

In MAP, you may choose between two payment alternatives for services provided by us:

Fee Method — Under this alternative, accounts are subject to a minimum quarterly fee of \$125 (\$500 annually). The Program fee does not include the services of your selected manager(s).

Commission Method — Under this alternative, you pay us for execution services rendered with respect to each securities transaction, including brokerage commissions on agency trades or mark-ups or mark-downs on principal transactions. The fee for services pursuant to this alternative is the payment for execution services for account transactions effected by or through us, at the usual and customary brokerage commission rate charged by us from time to time for agency transactions and at the normal mark-up or mark-down for principal transactions. Payment for execution services under the Commission Method is due at the time of each transaction and will be included in the transaction cost.

In MAP, you are responsible for payment of each investment manager(s) fee, which is negotiated separately between you and the selected manager(s). You may authorize us to pay to the investment manager(s) the applicable fees for such manager's services and to debit your account for the fees upon receipt of an invoice for the fees from the investment

manager(s). Any inaccuracy with respect to such fees charged by an investment manager is your responsibility and not that of RBC WM.

Portfolio Focus and RBC Advisor

Accounts are subject to a minimum quarterly fee of \$125 (\$500 annually).

RBC Total Portfolio

RBC Total Portfolio account assets are subject to a minimum quarterly fee of \$250 (\$1,000 annually) if utilizing model portfolios, or \$125 (\$500 annually) if utilizing only mutual funds and/or ETPs.

The portion of the Program fee paid by us to the overlay manager and model portfolio providers, collectively, typically ranges from the annual rate of 0.08% to 0.70% of account assets under management, depending on the allocation, services and investments selected by you. Model portfolio provider fees vary based on a variety of factors including, but not limited to, type of investment strategy and fee negotiations between RBC WM and the model portfolio provider.

B. Comparing Costs

Your total cost for each of the services provided through a Program, if purchased separately, could be more or less than the costs of the Program. Cost factors may include:

- your ability and the costs to obtain the desired investment advisory services;
- your ability to retain the desired investment or overlay manager(s) and obtain model portfolio(s), where applicable;
- your ability to obtain expertise in selecting and monitoring investment managers, overlay managers, and model portfolio providers, where applicable;
- your costs of obtaining custodial services;
- your ability to invest in and, where applicable, rebalance the desired investments without payment of a sales charge;
- trading and execution costs (including principal mark-ups and mark-downs) to you; and
- your ability to obtain reports comparable to those provided through the Program.

When making cost comparisons, you should be aware that the combination of investment management, custodial, consulting, and brokerage services available through a Program may not be available separately or may require multiple accounts, documentation, and fees. In addition, certain investment managers, overlay managers, and/or model portfolios may not be available to clients outside of a Program either because of minimum account size requirements, fee schedules, geographic availability, or other factors.

You should also consider the amount of trading activity you anticipate when assessing the overall costs of a Program. If a Program account is actively traded through RBC WM, the Program fees may be less expensive than separately paying investment management fees, consulting fees, and commissions. If an account is not actively traded, then the Program fees may be more expensive than separately paying investment management fees, consulting fees, and commissions.

When utilizing no-load mutual funds within the account or certain alternative investments within or connected to the account, you will be paying a fee on assets that could otherwise be purchased outside of an advisory account at no additional cost. Additionally, by investing in mutual funds within a Program account, management fees and other fees charged by a mutual fund company are not included as a part of the Program fees, and could result in higher costs to the client.

C. Additional Fees

Program fees cover only the services provided under the Program Agreement and do not cover certain additional fees for which you may be responsible. Such fees may include the following:

- commissions, mark-ups, spreads, and other transactional charges on securities transactions effected through or with brokers and dealers other than us;
- interest on debit account balances, where applicable;
- the entire public offering price (including underwriting commissions or discounts) on securities purchased from an underwriter or dealer (including us) involved in a distribution of securities;
- bid-ask spreads, odd-lot differentials, exchange fees, transfer taxes, and other fees required by law;
- Investment Access® Account fees, where applicable, outside of accounts in RBC Advisor;
- qualified retirement plan account fees, and other account maintenance fees, where applicable;
- our usual and customary transaction charges on the liquidation of assets not eligible for a Program;
- any contingent deferred sales charges assessed on the sale or liquidation of mutual fund shares, where applicable;
- check reordering costs and fees, where applicable;
- redemption charges imposed by certain mutual funds or alternative investments (see fund prospectus or PPM for details);
- short-term trading charges for purchases and corresponding redemptions of certain mutual fund shares (see fund prospectus for details) made within a short period of time;

- management and other fees on certain securities, which may include open-end and closed-end mutual funds, UITs, ETPs and alternative investments;
- RBC Express Credit (margin) interest;
- safekeeping fees for physical securities; and
- RBC Bank Deposit Program fees.

Other account maintenance fees may apply and certain investment products, such as closed-end funds, unit investment trusts, ETPs or private placements may incur management and operating expenses that are not covered by the Program fees. Please refer to each investment product's disclosure document for a more detailed description of the fees and expenses you may pay as an investor.

Each mutual fund pays separate management fees and other fees and expenses as detailed in the fund's prospectus. Some of the fees and expenses are paid to and, where permitted under applicable regulatory requirements, retained by us for advisory, distribution, and/or other services. As a result, you may indirectly pay duplicate advisory and other fees in connection with such investments. Certain mutual funds or alternative investments may charge you redemption fees that are not imposed by us.

D. Compensation to Financial Advisors

If you invest in one of the Programs described in this brochure, we allocate to your Financial Advisor, on an ongoing basis, part of the fees or commissions payable to us in connection with your account. The Financial Advisor may receive different compensation depending on the Program in which you invest and the rate and amount of your fee or commission. The amount we allocate to your Financial Advisor in connection with accounts opened in Programs described in this brochure may be more than if you pay separately for investment advice, brokerage and other services. Therefore, Financial Advisors may have a financial incentive to recommend a Program over other services and Programs.

If you invest in one of the Programs described in this brochure, the Financial Advisor may charge less than the maximum fee or standard commission rate. The amount of the fee or commission you pay is a factor we use in calculating the compensation we pay your Financial Advisor. Therefore, Financial Advisors have a financial incentive not to reduce fees or commissions. If your fee or commission rate is below a certain threshold, we give your Financial Advisor credit for less than the total amount of your fee in calculating his or her compensation. Therefore, Financial Advisors also have a financial incentive not to reduce fees or commissions below that threshold. If you agree to pay

a fee based on the underlying asset allocation of your account, your financial advisor may have an incentive to invest account an allocation that results in an effective fee rate that generates the most fees as this directly impacts compensation. This allocation may not be consistent with your investment objectives.

In Programs where margin is permitted and used, the Financial Advisor may receive additional compensation depending on the amount of the debit in your account and its interest rate and may have an incentive to recommend utilizing RBC Express Credit for the account that may conflict with your interests.

Mutual fund companies make payments, which may be based on assets and/or sales volume, to us via the fund's distributor, investment advisor, or other entity. These payments are generally made from the management fees they earn and may, where permitted under applicable regulatory requirements, be made to and retained by us and our Financial Advisors. Financial Advisors may receive a portion of these payments for distribution and servicing expenses related to shares of mutual funds.

ITEM 5: ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

Account Requirements

The general minimum account sizes for our Programs are listed below. We have the discretion to accept accounts that are below the minimum account size. Under certain circumstances, account minimums may be higher based on the services provided by us or the investment strategy employed by the investment manager.

- Consulting Solutions: \$100,000. Accounts utilizing RBC WM as the overlay manager generally have a minimum account size of \$25,000, \$50,000 or \$100,000 depending on the model portfolio selected. Fixed Income accounts generally require \$250,000.
- MAP: \$100,000 or the investment managers' minimum, whichever is greater.
- Portfolio Focus: \$50,000
- RBC Advisor: \$25,000
- RBC Total Portfolio: \$250,000 for accounts utilizing model portfolios and \$25,000 for accounts utilizing only mutual funds and/or ETPs.

Types of Clients

We provide advisory services to individuals, foundations, endowments, employee benefit plans, trusts and estates, educational institutions, corporations, businesses, government entities and other entities. The Programs are available for both non-retirement and retirement accounts, including individual retirement accounts (IRAs).

ITEM 6: PORTFOLIO MANAGER SELECTION AND EVALUATION

A. Selection and Review of Portfolio Managers

Eligibility

We have certain standards of eligibility for investment managers, model portfolio providers and overlay managers (each, a “Portfolio Manager”) in our Programs. In Consulting Solutions and RBC Total Portfolio, we consider and select only investment managers and model portfolio providers who meet our eligibility requirements. In identifying and choosing investment managers and model portfolio providers, we evaluate the financial and organizational stability of the firm and product, historical performance results, experience, and other factors. Based on the evaluation, investment managers and model portfolio providers are categorized by their respective investment styles and historical performance. Information that we gather regarding investment managers and model portfolio providers is believed to be reliable and accurate, but we do not independently verify it. Based on selected criteria identified above, we chose Placemark Investments, Inc. as overlay manager for RBC Total Portfolio.

In MAP, we do not perform an in-depth evaluation of any investment manager prior to its participation in the Program. We do confirm that the investment manager is appropriately registered and classify investment managers by investment style based solely on their representations to us. This Program is designed to permit you, in consultation with an RBC WM Financial Advisor, to choose an investment manager that you believe is appropriate and to receive certain brokerage and/or other services from us, regardless of whether the manager has received any degree of scrutiny from us.

In Portfolio Focus, generally, Financial Advisors who are granted participation in Portfolio Focus have met standards of education, industry experience, investment management experience and compliance. Applications to participate in Portfolio Focus are reviewed by field supervisors, regional management, compliance and program management. Program management admits qualified Financial Advisors into Portfolio Focus after a thorough review.

As described above in Item 4: *Services, Fees and Compensation*, you will establish a Risk Profile, which is intended to measure your investment time horizons and risk parameters. For Programs in which you select an investment manager or model portfolio provider, the Financial Advisor is available to consult with you regarding investment alternatives that may be compatible with your Risk Profile. You then choose one or more investment managers or model portfolio provider.

If you elect to utilize third-party investment manager(s) or an overlay manager with a model portfolio, the account is managed by such investment manager(s) or

overlay manager. Other than in connection with our responsibilities to you or in our capacity as overlay manager, we have no discretionary authority and do not assume responsibility for the conduct of third-party Portfolio Managers selected by you, including their performance or compliance with applicable law or regulations.

When required to do so by law or as otherwise agreed to with the investment manager, we will provide you with a copy of a third-party investment manager's and/or overlay manager's written disclosure statement (Part 2 of its Form ADV or other comparable document) at account opening.

When we serve as an overlay manager, we will provide you with a copy of our written disclosure statement to the extent required by law or as otherwise agreed to with you.

Monitoring and Review

We review performance data of all Consulting Solutions and RBC Total Portfolio investment managers and model portfolio providers on a periodic basis. The evaluation may involve, among other things, investment discipline and trends in investment philosophies. Comparisons are made to other accounts and to standard industry market statistics. In addition, we may compare account performance to the data that the investment manager or model portfolio provider reports to various consulting and database services. This review is designed to determine whether the reported performance data is consistent with the actual experience of Program accounts. We attempt to monitor, review, and calculate account performance. We do not:

- audit the performance data reported to the databases to be sure they are calculated on a uniform and consistent basis;
- review the appropriateness of the methodology used to calculate performance;
- audit the mathematical accuracy of the calculations; or
- audit compliance with any standards an investment manager or model portfolio provider has stated it will follow.

As part of our account monitoring process, we maintain a watch list of managers and model portfolio providers for which there may be developments of potential concern. Such developments may include the managers' or model portfolio providers' adherence to management style, consistency with client objectives, unexplained poor performance, or other matters that come to our attention. The watch list provides us with the means to review and communicate developments related to investment managers and model portfolio providers in Consulting Solutions and RBC Total Portfolio. Placement of investment managers and model portfolio providers on the watch list initiates

a probationary period that allows us adequate time to better assess the effects — negative or positive — stemming from the developments in question.

In MAP, we may provide you with information to allow you to compare the manager's overall performance data with industry market statistics or the data that the investment manager reports to consulting and database services. You are responsible for reviewing the information provided by us and assessing the adequacy of any particular manager's overall performance.

We conduct periodic reviews of Placemark and our own overlay manager function to evaluate adherence to model portfolios and investment allocations selected by you.

In Portfolio Focus, Financial Advisors are monitored by Complex Management and Compliance Product Surveillance on a continuous basis to ensure adherence to Program guidelines. Surveillance of Program accounts includes many metrics, including daily trade monitoring and weekly monitoring of Program investment management guidelines. Additionally, on an annual basis, Financial Advisors are required to recertify for participation in the Program. Based on the outcome of the review, the Financial Advisor will be recertified for continuance in the Program, or may be removed from the Program.

Generally, the performance of the Financial Advisor in the Portfolio Focus Program is not calculated. However, under certain circumstances, select Portfolio Focus Financial Advisors managing a specific strategy are able to use composite performance reports for that strategy with clients and prospective clients. This requires approval from the Financial Advisor's field supervisors, regional management, compliance and program management. We require the Financial Advisor to provide definitions for each strategy employed in the Portfolio Focus Program and accounts must be managed to one of the defined strategies unless the account meets certain strategy exclusion requirements. We have employed policies and procedures for Financial Advisors and the composite construction and performance calculation methodology. A third-party vendor has been engaged to examine the performance presentation of the composite.

Removal

We may recommend the termination of a model portfolio provider or investment manager from RBC Total Portfolio or Consulting Solutions if our original opinion of the investment manager or model portfolio provider is materially changed. This is most commonly a result of fundamental developments that are determined to be detrimental to the potential longer-term success of the model portfolio provider, investment manager or underlying investment strategy.

We may remove a model portfolio provider or investment manager from RBC Total Portfolio or Consulting

Solutions upon written notice to the affected clients. In the event that we terminate any model portfolio provider or investment manager selected by you, we will promptly contact you and consult with you as to the reallocation of the applicable account assets.

In the event we remove an investment manager or model portfolio provider from Consulting Solutions that is being utilized by you in the Program, we may terminate your Program Agreement. Alternatively, we may move your assets to a model portfolio provider or investment manager available under the Program that we deem to be consistent with the model portfolio provider or investment manager that is no longer available.

In the case of RBC Total Portfolio, when we remove a model portfolio provider, if you do not select a new model portfolio provider, we will move your assets to a model portfolio provider available under the Program that we deem to be consistent with the model portfolio provider that is no longer available. If an appropriate model portfolio is not available we will move your assets to an appropriate ETP or mutual fund.

In an RBC Total Portfolio account, we may provide information to you regarding the replacement of a mutual fund or ETP in the event that it is no longer eligible for inclusion in the Program. If you do not select a new mutual fund or ETP available under the Program, we will move the assets to a mutual fund or ETP available under the Program that we deem to be most consistent with the mutual fund or ETP that is no longer available.

In the RBC Total Portfolio Program, we may replace Placemark Investments, Inc. as overlay manager upon advance written notice to the affected clients.

In the event that we receive information regarding a MAP investment manager that indicates that a particular investment manager may no longer be suitable for you, we may recommend that you terminate your relationship with that investment manager.

In the event that a Financial Advisor is no longer participating in Portfolio Focus, your account will be reassigned to another Financial Advisor. The new Financial Advisor may or may not be approved to participate in Portfolio Focus and may either apply to participate in the Program or recommend changing the account to another advisory Program or brokerage account.

B. Related Persons

If you invest in certain Programs described in this brochure, your account may be managed by an investment manager that is an affiliate (also referred to as a related person) of ours. In addition, our affiliates may act as model portfolio providers. Related persons acting as investment managers or model portfolio providers are subject to the same eligibility, review, and

removal procedures as non-affiliated managers and model portfolio providers, as described above. When related persons act as investment managers or model portfolio providers for Program clients, certain conflicts of interest may exist.

In select Programs, you may be able to invest in certain investment products that are manufactured by us or our affiliates, including RBC's money market funds, as described above in Item 4: *Services, Fees and Compensation*. Certain conflicts of interest among the fund, the fund manager, and/or the fund's broker may exist as described in the fund's PPM or prospectus. Where we are affiliated, through common ownership and control by the Royal Bank of Canada, with a fund or fund manager, we may be incented to recommend the proprietary or affiliated product over a nonproprietary or non-affiliated product, so that fees and expenses charged by the fund or manager are earned by us, or our affiliate rather than a non-affiliate.

If, and to the extent that your cash balances are invested in a money market fund managed by an affiliate of ours, you will indirectly pay duplicate advisory and other fees to us in connection with such cash balances (i.e., the Program fees and, as a fund shareholder, your prorated portion of the fund's fees and expenses).

Each of RBC's money market funds is a series of RBC Funds Trust, a registered open-end investment company managed by RBC GAM (U.S.), an affiliate of ours. We may recommend to clients the purchase of shares in such funds or other RBC funds managed by RBC GAM (U.S.).

Additional information regarding money market funds, including investment policies and fees and expenses, is set forth in the fund's current prospectus. Clients should read the fund's prospectus carefully prior to making a selection.

C. Supervised Persons

We may act as a Portfolio Manager in Consulting Solutions, RBC Total Portfolio, and Portfolio Focus. Our participation in a Program may create an incentive for us to recommend ourselves over other qualified and suitable Portfolio Managers. Our supervised persons may not be subject to the same scrutiny that would be applied to third-party Portfolio Managers. However, we maintain appropriate controls and procedures to ensure that our supervised persons meet eligibility standards for inclusion in our Programs.

Where we serve as the overlay manager, we will retain the overlay fee, which is a portion of the advisory fee you pay. You do not pay more for selecting us as the overlay manager, however, there may be a monetary incentive for us to recommend ourselves over another qualified and suitable non-affiliated investment manager or overlay manager.

In select Programs, we may utilize model portfolios created by our internal research group(s), referred to herein as Portfolio Advisory Group ("PAG"). PAG provides timely, independent information to our Financial Advisors and their clients by independently analyzing research from its correspondents. The research that is produced by PAG seeks to provide a broad and extensive array of fundamental research in the marketplace by focusing on key analysts, recommendations, and trends within their research sources, including those of RBC Capital Markets, LLC, ("RBC CM") as well as through nationally recognized correspondents. PAG does not receive compensation for providing these models to us.

In select Programs, we may utilize model portfolios created by our internal Advisory Research Group. While the research conducted in creating model portfolios is independent, we may have an indirect incentive to use certain mutual funds in a model, since we may receive additional compensation from the investments made in certain mutual funds.

We may designate selected Financial Advisors to act as Portfolio Managers within Portfolio Focus. Selected Financial Advisors will manage assets in the Portfolio Focus account on a discretionary basis based on your Risk Profile and subject to our guidelines for the Program. The investment options available to you through Portfolio Focus may vary based on the Financial Advisor's level of experience. For services provided under Portfolio Focus, you will pay us a single quarterly program fee based on the value of the assets in the account.

Our advisory Programs offered are described in more detail above under Item 4: *Services, Fees and Compensation*.

Performance-Based Fees and Side by Side Management

We do not have any performance-based fees for any advisory Programs.

Methods of Analysis, Investment Strategies

We prepare and disseminate various research reports on mutual funds, securities and affiliated and unaffiliated investment advisers that are utilized by RBC WM Financial Advisors in providing investment advice to clients.

There is no guarantee of performance for any investment strategy implemented. Past performance with respect to other accounts does not predict your account's future performance. Investing in securities involves risk of loss that you should be prepared to bear. Raising the awareness of this risk and discussing the factors that could lead to a loss is an important consideration for clients evaluating a potential investment opportunity.

Additional information on the method of analysis and investment strategies for the various advisory Programs offered by us can be found above under Item 4: *Services, Fees and Compensation* and Item 6: *Portfolio Manager Selection and Evaluation*.

Voting Client Securities (Proxy Voting)

We will not vote proxies on behalf of any account (other than as described below for Portfolio Focus accounts or Consulting Solutions accounts that use us as the overlay manager). Except as provided below, we will forward all proxy solicitation and related materials, including annual and interim reports and any other issuer mailings that are received with respect to the securities in an account, to you to vote. You may change your proxy voting authorization election at any time upon written notice to us at no cost to you.

In MAP, RBC Total Portfolio and Consulting Solutions when an investment manager is selected (subject to their acceptance), you may designate in the Client Agreement to have the selected investment manager(s) and/or the RBC Total Portfolio overlay manager receive proxy solicitations and to vote proxies on your behalf. Alternatively, you may give written instructions to us to direct all proxy solicitations to an independent third party selected by you to vote on your behalf.

In Consulting Solutions accounts when you select model portfolios and in Portfolio Focus, you may designate to have us (subject to our acceptance) receive proxy solicitations and to vote proxies on your behalf.

In Program accounts in which you have given us proxy authorization, we have adopted a proxy voting policy and use the proxy voting guidelines of a third-party provider who acts as our primary provider of proxy research and voting recommendations.

The engagement of the third-party provider is not intended to be a delegation of our proxy voting responsibilities and does not relieve us of any fiduciary obligations with respect to the voting of proxies.

Retirement Accounts

With respect to retirement accounts that are subject to Title I of ERISA ("ERISA Accounts"), we have no responsibility or authority to vote proxies on behalf of the account. For ERISA Accounts, the right to direct the voting of proxies is reserved to a named fiduciary of the plan as selected by you.

Unless you indicate otherwise in the Client Agreement, we, the investment manager(s) selected by you and/or the overlay manager(s) are expressly precluded from voting proxies on behalf of an ERISA Account (although we may, in our capacity as a broker, act pursuant to the instructions of a named plan fiduciary). We deem the authority to vote proxies as expressly reserved to a named

plan fiduciary and we have no obligation to take action on your behalf with respect to proxy-related material.

ITEM 7: CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

Except as otherwise agreed to in writing or as required or permitted by law, we keep confidential all information concerning your identity, financial data and investments. We share relevant client information with (1) the Program investment manager(s) or overlay manager(s) selected by you in order for the selected investment manager or overlay manager to adequately manage your account, and/or (2) certain companies that we or your selected Program investment manager or overlay manager partner with to service your accounts. Recommendations and advice given to you will be regarded as confidential among you and, if applicable, the investment manager(s) and/or overlay manager(s).

ITEM 8: CLIENT CONTACT WITH PORTFOLIO MANAGERS

We do not restrict you from contacting and consulting with your Portfolio Manager.

In Programs in which you do not have a direct relationship with the Portfolio Manager, we will use reasonable efforts to encourage the Portfolio Manager to be reasonably available to you and your Financial Advisor for consultation on the management of the account and your financial situation and investment objectives.

In MAP, in which you have a direct contractual relationship with the Portfolio Manager, you may contact the Portfolio Manager directly to discuss the management of the account and your investment objectives.

ITEM 9: ADDITIONAL INFORMATION

Disciplinary Information

In the past, we have entered into various orders, consents and settlements with our regulators and other third parties and have been the subject of adverse legal and disciplinary events. Below are summaries of certain events that may be material to your decision in selecting or maintaining our services for your investment advisory needs. Please note that certain disclosures discuss disciplinary events associated with Tucker Anthony, Inc.; Sutro & Co., Inc.; Rauscher Pierce Refsnes; Seasongood & Mayer, LLC; Ferris, Baker Watts LLC; J.B. Hanauer & Co. and RBC Dain Rauscher Inc. ("RBC Dain Rauscher"). These disclosures are adverse events that involved a company that was either a predecessor broker-dealer or was merged or acquired by us.

It should be noted that the disciplinary reporting requirements for broker-dealers and investment advisers differ. Since we are registered as both a broker-dealer and investment adviser, we file information as required by both sets of regulatory requirements. In addition to the descriptions below, you can find additional information

about us and management personnel on the Securities and Exchange Commission's website located at www.adviserinfo.sec.gov as well as the Financial Industry Regulatory Authority's (FINRA) website located at www.finra.org/brokercheck.

Please note that RBC WM is a division of RBC CM and in each of the instances described below, we entered into various orders, consents and settlements without admitting or denying any of the allegations.

It is alleged by FINRA that RBC CM violated FINRA/NASD rules 1122, 2010, 2110, 3010 by failing to establish and maintain a supervisory system and establish, maintain and enforce written supervisory procedures reasonably designed to comply with applicable rules and regulations pertaining to short-term transactions in Closed-End Funds. On May 10, 2012 RBC CM was censured, fined \$200,000 and ordered to pay partial restitution of \$70,000 to a customer.

The Massachusetts Securities Division alleged that RBC CM failed to supervise and made unsuitable recommendations to brokerage and advisory clients regarding the purchase of leveraged, inverse and inverse-leveraged Exchange Traded Funds. On May 2, 2012 RBC CM entered into a consent order with the Massachusetts Securities Division under which RBC CM has paid a fine of \$250,000 and offered restitution of approximately \$2,900,000 to certain clients.

FINRA alleged that RBC CM violated FINRA rule 2010, 2110 and 3010 by charging markups and markdowns on Collateralized Mortgage Obligations (CMO) with mostly retail, non-institutional customers that exceeded the internal guidelines based on the type and maturity. In addition, RBC CM did not adjust or justify in writing on the order records the reason for the markup and markdown. RBC CM also failed to establish, maintain and enforce a supervisory system and written supervisory procedure reasonably designed to ensure that the markup and markdowns were fair, reasonable and compliant with FINRA rule 2440. On January 3, 2012; RBC CM was censured and fined \$25,000.

FINRA alleged that RBC CM violated various FINRA, MSRB and SEC rules because it failed to report the following to the TRACE for TRACE eligible securities: block transactions within 15 minutes of execution time, transactions it was required to report, the correct contra-party's identifier, the time of trade execution in the correct format, the correct price and symbol indicating whether the trade was a buy or sell and the correct trade execution time. RBC CM also reported transactions to TRACE it was not required to report and double reported TRACE transactions. RBC CM also failed to report information regarding purchase and sale transactions and block purchase and sale transactions effected in municipal securities to the RTRS within 15 minutes of the time of trade to a RTRS portal. RBC CM also improperly reported information to RTRS, failed to report information and reported a transaction it should not have. RBC CM failed to report the correct yield for municipal

securities to the RTRS and provided written notification disclosing to customers the incorrect yield. RBC CM failed to transmit to the OTC reporting facility (OTCRF) last sale reports of transactions within 90 seconds after execution and to designate the reports as late. RBC CM failed to report to the OTCRF the correct execution time for transactions in reportable securities. It is also alleged that RBC CM failed to show the correct execution time on brokerage order memoranda, execute orders fully and promptly, use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price for customers were as favorable as possible under the prevailing market conditions. On November 8, 2011; RBC CM was censured and fined \$125,000 and ordered to pay \$241.26, plus interest, in restitution to investors.

ICE Futures U.S., Inc. alleged that RBC CM violated Exchange Rule 27.09(a) by failing to assign unique login IDs to three employees of a corporate affiliate who accessed the Exchange's electronic trading platform through the Firm. On September 28, 2011, RBC CM was ordered to cease and desist and pay a fine of \$15,000.

It is alleged by the SEC that RBC CM violated Sections 8A, 17(A)(2) and 17(A)(3) of the Securities Act of 1933 (the "Securities Act"), Section 15(B) of the Securities Exchange Act of 1934 ("Exchange Act"), and Section 203(E) of the Investment Advisers Act of 1940 by negligently marketing and selling collateralized debt obligations (CDOs) to five school districts in Wisconsin that may have been inadequate or unsuitable. On September 27, 2011, RBC CM was censured, ordered to cease and desist and paid \$6.6 million in disgorgement and restitution, plus interest of \$1.8 million. RBC CM also paid a civil penalty of \$22 million.

FINRA alleged that in several transactions RBC CM violated MSRB Rules G-17 and G-30(A) by purchasing municipal securities for its own account from a customer and/or sold municipal securities for its own account to a customer at an aggregate price (including any mark-down or mark-up) that was not fair and reasonable. On August 25, 2011, RBC CM was censured and was ordered to pay \$43,157 plus interest in restitution and a fine of \$95,000.

FINRA alleged that Ferris, Baker Watts, LLC (FBW), a firm acquired by RBC CM, violated FINRA rules 2110, 2310, 3010(A), and 3010(B) because it failed to have adequate written supervisory procedures governing suitable sales of reverse convertible notes and to reasonably supervise certain accounts that purchased the notes. On October 20, 2010, RBC CM was censured and paid \$189,723 in restitution and a fine of \$500,000.

It is alleged by NYSE ARCA that RBC CM failed to reasonably supervise the activities of its associated persons by implementing adequate controls, including a reasonable system of follow-up and review, designed to detect and prevent potential violation of wash trading activity on the NYSE ARCA Marketplace. On September 15, 2010, RBC CM was censured and was fined \$95,000.

The Nebraska Department of Banking & Finance alleged that RBC CM did not enforce policies and procedures designed to prevent an RBC Financial Consultant from engaging in trading in a customer's account that appeared to be excessive in size or frequency in view of the customer's financial resources and the character of the account. On May 1, 2010, RBC CM was fined \$60,000, plus disgorgement and restitution.

FINRA alleged that RBC CM violated various FINRA, MSRB and SEC rules because it had fail-to-deliver positions and failed to immediately take proper action before executing proprietary short sales in the security. RBC CM sent information to Order Audit Trail System (OATS) that contained inaccurate, incomplete or improperly formatted data and made this data available in a report on the covered orders in National Market System Securities. RBC CM acted as principal for its own account and failed to provide written notification disclosing to its customers that it was a market maker in each such security. The supervisory system was not reasonably designed to achieve compliance with applicable securities laws and regulations concerning the use of multiple market participant identifiers (MPIDs). RBC CM did not make available in a timely manner a report on the covered orders in National Market System Securities that it received and did not, in a timely manner, make publicly available the reports on the routing of non-directed orders in covered securities or execute orders fully and promptly. RBC CM did not use reasonable diligence to ascertain the best inter-dealer market, or accept or decline transactions in reportable securities within 20 minutes after execution in the trade reporting facility. RBC CM transacted in municipal securities for its own account and with customers at an aggregate price (including any mark-down or mark-up) that was not fair and reasonable and failed to report trade reporting and compliance engine (TRACE) transactions in eligible securities within 15 minutes of the time of execution. Information regarding transactions and block transactions effected in municipal securities to the real-time transaction reporting system (RTRS) was not made within 15 minutes to a portal. RBC CM failed to report the correct special condition indicator code to the RTRS in municipal securities transaction reports and over-reported transactions in municipal securities. RBC CM was censured, ordered to revise its written supervisory procedures, and pay a fine of \$150,000, plus restitution payments of \$7,254, plus interest.

NASDAQ alleged that RBC CM entered orders into the NASDAQ market center that failed to correctly indicate whether the orders were a buy, short sale or long sale, in violation of NASDAQ Rule 4755. On January 6, 2010, RBC CM was ordered to pay a fine of \$5,000 to NASDAQ.

FINRA alleged that RBC CM failed to maintain adequate written supervisory procedures relating to non-cash compensation that was relevant for its non-cash compensation monitoring compliance and FINRA's non-

cash compensation rules, in violation of FINRA Rules 2110 and 3010(B). On January 4, 2010, RBC CM was ordered to pay a fine of \$5,000.

FINRA alleged that RBC CM violated MSRB Rule G-36 by, acting as an underwriter in primary offerings and advance refunding of municipal securities, failing to submit forms G-36(OS) and related official statements with the MSRB in a timely manner. In addition, it is alleged that RBC CM failed to submit Forms G-36(ARD) and related advance refunding documents to the MSRB in a timely manner and submitted Form G-36(OS) with inaccurate information. On January 4, 2010, RBC CM was censured and fined \$7,500.

FINRA alleged the RBC CM sold unregistered securities in violation of Section 5 of the Securities Act and failed to establish, maintain and enforce a supervisory system reasonably designed to detect and prevent the sale of unregistered securities, in violation of FINRA Rules 2110 and 3010. On January 4, 2010, RBC CM was censured and was ordered to pay a fine of \$135,000.

FINRA alleged that certain research analysts at RBC CM did not have the proper registrations and the names of those analysts had appeared on numerous research reports, in violation of FINRA Rules 1050 and 2110. On July 8, 2009, RBC CM was censured and fined \$150,000.

It is alleged by FINRA that RBC CM violated FINRA Rules 2110, 2420, 3010, 3110, NYSE Rule 345(A), Sections 15(A) and 17(A) and Rules 17a-3 and 17a-4 of the Exchange Act because it permitted a non-registered finder to act in the capacity of a registered broker-dealer in the conduct of certain stock loan transactions and made or caused profit-based payments to be made to the non-registered finder. RBC CM allowed the non-registered finder to negotiate the terms of the stock loan transactions, select the counterparties to those transactions, and was aware of and arranged with the non-registered finder for another broker-dealer to make payment to the non-registered finder based on the profits of related arbitrage transactions. RBC CM also failed to reasonably supervise the activities of its stock loan department in that it did not have adequate supervisory procedures in place to detect and deter these types of transactions and payments. On March 16, 2009, RBC CM was censured and fined \$400,000.

It is alleged by the SEC that RBC CM violated the fair dealing, gifts and gratuities, and supervisory rules of the Municipal Securities Rulemaking Board for advances made on behalf of and expenses reimbursed to one of its municipal clients during the client's municipal bond issuance process, in violation of MSRB rule G-17, G-20, G-27 and Section 15B of the Exchange Act. On February 24, 2009, RBC CM was censured, ordered to cease and desist and fined \$125,000.

The NYSE alleged that RBC CM violated NYSE rules by entering for execution odd-lot orders that aggregate 100 shares or more without having those orders consolidated

into round lots as far as possible and filed with the NYSE inaccurate daily program trade reports. In addition, it is alleged that RBC CM failed to file certain daily program trade information with the NYSE within the required timeframes and failed to provide for, establish and maintain appropriate procedures of supervision and control, including a system of follow-up and review reasonably designed to achieve compliance with NYSE Rules and policies pertaining to odd-lot orders and the submission of daily program trade reports. On October 8, 2008, RBC CM was censured and fined \$125,000.

Seasongood & Mayer, LLC, a broker-dealer acquired by RBC Dain Rauscher, allegedly violated MSRB Rule G-14 by failing to report information about transactions effected in municipal securities within 15 minutes to the RTRS in the manner prescribed by Rule G-14 RTRS procedures and the RTRS users manual. On January 10, 2008, Seasongood & Mayer was censured and fined \$7,500.

It is alleged by FINRA that RBC Dain Rauscher violated FINRA Rule 3370 by accepting customer short sales in certain securities and failed to make/annotate an affirmative determination to receive delivery of the security on behalf of the customer for delivery by settlement date. On January 3, 2008, RBC Dain Rauscher was fined \$5,000.

The NYSE alleged violations of NYSE Rules 342, 401(A) and 1100(B) by RBC Dain Rauscher, in connection with the delivery of prospectuses and product descriptions for sales of registered securities and exchange traded funds as well as providing for, establishing, and maintaining appropriate supervision and control procedures relating to the delivery of prospectuses and product descriptions. RBC Dain Rauscher was censured and ordered to pay a fine of \$500,000 on October 2, 2007.

It is alleged by the NYSE that RBC Dain Rauscher violated NYSE Rules 351(A)(8) and 445 by failing to establish written procedures regarding the filing of Suspicious Activity Reports. It also failed to conduct an adequate review for structuring and have an adequate monitoring system to review and document follow-up on exceptions found by the firm's Anti-Money Laundering Department. It is also alleged that RBC Dain Rauscher failed in certain instances to promptly report to the exchange the settlement of customer complaints. RBC Dain Rauscher was censured and ordered to pay a fine of \$90,000 on April 18, 2007.

The NASD alleged that from January 2002 through July 2004, RBC Dain Rauscher violated NASD Rules 2110 and 3010 rules by failing to establish, maintain and enforce systems and procedures designed to ensure that all eligible investors received the benefit of net asset value transfer programs offered by various mutual fund companies. RBC Dain Rauscher was censured, ordered to pay restitution and a fine of \$250,000 on December 11, 2006.

It is alleged by the NASD that RBC Dain Rauscher failed to submit to the OATS required information for reporting

members, in violation of NASD Rule 6955(A). On January 3, 2008, RBC Dain Rauscher was censured and fined \$20,000.

The SEC alleged that RBC Dain Rauscher violated Section 17(a)(2) of the Securities Act by engaging in one or more of the following practices: completion of open or market bids, intervention in auctions, bids to prevent failed auctions, bids to set a "market" rate, bids to prevent all-hold auctions, prioritization of bids, submission or revision of bids after deadlines, allocation of securities, partial orders, express or tacit understanding to provide higher returns, and providing certain customers with information that gave them an advantage over other customers. RBC Dain Rauscher was ordered to cease and desist and pay a fine of \$1.5 million on May 31, 2006.

It is alleged that RBC Dain Rauscher violated Section 7-11-203 of the Rhode Island Uniform Securities Act of 1990, wherein five investment adviser representatives conducted investment advisory business in the state without being licensed or exempt from licensing. On October 28, 2005, RBC Dain Rauscher was ordered to pay a fine of \$10,000 plus \$750 in back taxes to the state of Rhode Island.

The NASD alleged that RBC Dain Rauscher violated Exchange Act Rules 17a-3 and 17a-4 and various NASD Conduct Rules because it bought a security for its own account from a customer or sold a security for its own account to a customer and failed to buy or sell such security at a price that was fair. RBC Dain Rauscher's supervisory system for its high-yield bond desk did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations and NASD rules concerning fair pricing and NASD's mark-up policy. On October 28, 2005, RBC Dain Rauscher was censured, ordered to revise its supervisory procedures and ordered to pay a fine of \$1 million and made restitution payments totaling \$158,467 plus interest.

The NASD alleged that RBC Dain Rauscher violated Section 17(A) and Rule 17a-4 of the Exchange Act, and NASD Conduct Rules 2830(K), 2110, 3110 and 3010 by maintaining shelf space (or revenue sharing) programs in which participating mutual fund complexes paid a fee in return for preferential treatment which included enhanced access to the sales forces and hyperlinks to those funds' websites on the internal website. Participating fund complexes paid all or some of their fees for participating in the programs by directing mutual fund portfolio brokerage commissions to RBC Dain Rauscher. In addition, RBC Dain Rauscher failed to establish and maintain a system and procedures reasonably designed to detect and prevent the electronic mail retention violations. RBC Dain Rauscher was censured and ordered to pay a fine of \$1.7 million on June 8, 2005.

It is alleged that RBC Dain Rauscher violated NASD conduct Rules 2110 and 3010, and NASD Marketplace Rule 6130(b) relating to violations of automated confirmation transaction service (ACT) reporting and firm procedure to

review trade reports for compliance with Rule 6130(b). On June 3, 2005, RBC Dain Rauscher was censured and fined \$15,000.

The NASD alleged that during the period December 23, 2002 to January 21, 2003, RBC Dain Rauscher failed to report 15 short sale transactions with the appropriate short sale modifier, in violation of NASD Rule 6130. On February 8, 2005, RBC Dain Rauscher was censured and fined \$8,000.

The NASD alleged that RBC Dain Rauscher violated Article V, Sections 2(c) and 3(b) of NASD's bylaws, and NASD Rules 2110 and 3010 due to not filing in a timely manner at least 140 late amendments to Forms U4 and U5, which represented approximately 35% of the required amendments relating to reportable customer complaints, terminations, regulatory actions, and criminal disclosures. It was also alleged that during the relevant period, RBC Dain Rauscher's supervisory system and procedures were not reasonably designed to achieve compliance with its Article V reporting obligations. On November 30, 2004, RBC Dain Rauscher was censured and fined \$150,000.

It is alleged that RBC Dain Rauscher violated NASD Conduct Rule 2110 and 1021(a) having permitted an individual to engage in activities requiring registration as a general securities principal when he was not so registered. On October 25, 2004, RBC Dain Rauscher was censured and ordered to pay a fine of \$5,000.

The NASD alleged that based on bids obtained from a broker, RBC Dain Rauscher purchased securities from public customers for its own account and then sold the securities to a broker at a nominal gain, which were below the fair market value, in violation of MSRB Rules G-17 and G-30(A). By relying on the bids, RBC Dain Rauscher failed to ensure that the transactions were executed at aggregate prices that were fair and reasonable. On October 21, 2004, RBC Dain Rauscher was censured and ordered to pay a fine of \$10,000, plus \$8,714 interest in restitution.

The SEC alleged violations of Exchange Act Rule 15c3-3 for failing to fund RBC Dain Rauscher's proprietary account for introducing brokers causing a hindsight deficiency. The NYSE alleged violations of NYSE Rule 92(b) by entering proprietary orders while representing customer orders without using separate proprietary accounts. There were also alleged violations of Exchange Act Rules 17a-3(a)(6) and 17a-4(b)(1) and NYSE Rule 440 for failing to make, maintain and preserve certain required records of customer orders. The NYSE also alleged violations of NYSE Rules 342(a) and (b) for failing to provide appropriate procedures of supervision and control and establish a system of follow-up and review to prevent such violations. On September 21, 2004, RBC Dain Rauscher was censured and fined \$80,000.

The NASD also alleged that Rauscher Pierce Securities Corporation, a division of RBC Dain Rauscher, violated NASD Marketplace Rule 6130(b) and NASD Conduct Rule

2110 relating to violations of the ACT. On August 27, 2003, RBC Dain Rauscher was censured and fined \$7,500.

The NYSE alleged that RBC Dain Rauscher failed to make and preserve timely records relating to the designation and execution of customer orders, in violation of NYSE Exchange Rules 342 and 440 and Exchange Act Rules 17a-3 and 17a-4. On August 22, 2003, RBC Dain Rauscher was censured and fined \$275,000.

The NASD alleged that RBC Dain Rauscher caused locked/cross market and failed to timely respond to trade or move messages, in violation of NASD Marketplace Rule 4613(E) (1)(C). On June 26, 2003, RBC Dain Rauscher was censured and ordered to pay a fine of \$17,500.

It is alleged by the NYSE that Tucker Anthony, Inc. and Sutro & Co., Inc. failed in the supervision of joint NYSE Floor trading activity, maintenance of outside accounts and Continuing Education requirements in violation of NYSE rules. On February 5, 2003, RBC Dain Rauscher was censured and fined \$125,000.

It is alleged that RBC Dain Rauscher failed to timely report Fixed Income Pricing System (FIPS) transactions, in violation of NASD Conduct Rule 2110 and NASD Marketplace Rule 6240(A)(2). On January 30, 2003, RBC Dain Rauscher was censured and ordered to pay a fine of \$12,500.

The SEC alleged that Rauscher Pierce Refsnes Inc. violated anti-fraud provisions of the Securities Act and Exchange Act in connection with their capacity as underwriter or financial advisor on 12 one-year taxable note offerings and one pooled tax and revenue anticipated note offering. On August 13, 2002, RBC Dain Rauscher was ordered to cease and desist and fined \$500,000.

The NASD alleged that RBC Dain Rauscher caused locked/cross market, failed to respond to trade or move messages and failed to meet the Firm's firm quote, in violation of NASD Conduct Rule 3320, NASD Marketplace Rule 4613(B), 4613(E)(1)(C) and Exchange Act Rule 11Ac1-1. On August 5, 2002, RBC Dain Rauscher was censured and ordered to pay a fine of \$35,000.

The SEC, as well as 46 states and territories, alleged in separate allegations that RBC CM failed to disclose in communications with customers the increasing risks associated with auction rate securities that the firm underwrote, marketed and sold. Between June of 2009 and July of 2011, RBC CM was ordered to cease and desist, repurchase or provide opportunities for liquidity and was fined an aggregate amount of \$7.6 million.

Other Financial Industry Activities and Affiliations

RBC WM is a division of RBC CM, which is a full-service brokerage and financial services firm and is registered as a broker-dealer and an investment adviser with the U.S. Securities and Exchange Commission. RBC CM is also

registered with the Commodity Futures Trading Commission (CFTC) as a futures commission merchant. Further, RBC CM is a member of the New York Stock Exchange (NYSE), the Financial Industry Regulatory Authority (FINRA), the Securities Investor Protection Corporation (SIPC), and several other exchanges and self-regulatory organizations.

In addition to sponsoring the Programs, RBC CM sponsors other investment advisory programs and engages in a broad range of brokerage and other financial services. These include public and private investment banking and underwriting, retail and institutional brokerage and trading, institutional research and numerous other brokerage, advisory and financial services. Our broker-dealer activities are our principal business and account for the vast majority of our time, energies and resources.

As a full service broker-dealer, on an ongoing basis and as permitted by applicable law, we may, when appropriate:

- act as principal, buy securities from, or sell securities to you;
- act as broker or agent, effect securities transactions for compensation for you;
- act as broker or agent for any person other than a Program client, effect transactions in which a Program client's securities are sold to or bought from a brokerage client;
- effect transactions between your Program account and another Program client's account;
- recommend to you that you buy or sell securities or investment products in which we or a related person has some financial interest; or
- buy or sell for ourselves securities that we also recommend to you.

We have adopted and enforce internal policies and procedures with respect to conflicts of interest between us and our clients. Pursuant to these policies and procedures, we, when engaging in the activities enumerated above, treat your orders fairly and do not give our own orders preference over your orders. Where required by applicable law or exchange rules, we obtain the consent of affected clients in advance of any transactions in which we will be engaging in the activities referenced above. When we engage in the activities referenced above, all statements and/or confirmations of such transactions contain the disclosures required by applicable law and exchange rules. Securities activities are monitored daily to detect and prevent employees from trading ahead of client accounts.

It is the duty of the entity with brokerage discretion under a Program to seek the best net price and execution on securities trades for client accounts. In the event that we sell a security to you or buy a security from you, we will use all reasonable efforts to ensure that you obtain the best net price and execution on the purchase or sale based on prevailing inter-dealer market prices. In some circumstances, the change in market price may result in

a financial benefit to us. We may consider it appropriate to use our own execution services to effect purchases and sales of securities for investment advisory clients. We may receive brokerage commissions in connection with such transactions and, in accordance with Section 11(a) of the Exchange Act, may execute transactions for investment advisory accounts over which we have discretion on the floors of securities exchanges of which we are a member. Mark-ups and mark-downs charged by a dealer unaffiliated with us may be included in the price of certain transactions.

From time to time, we may incur trade errors. In these instances, we may profit from the error or may incur a loss. Regardless, the client transaction will not be affected. We may receive compensation from executing transactions for securities for which we have also received compensation as a result of providing research services.

We and our affiliates may give advice and take action in performing our duties to other clients that differs from advice given, or the timing and nature of action taken, with respect to you. In the course of our respective investment banking activities or otherwise, we and our affiliates may, from time to time, acquire material non-public or other information about corporations or other entities or their securities. We and our affiliates are not obligated and may not be permitted to divulge any such information to or for the benefit of clients, or otherwise act on the basis of any such information in providing services to clients. We, our related persons and affiliates may purchase for our own accounts securities that are recommended to Program clients.

It is contemplated that investment managers and overlay managers will affect substantially all portfolio trades for Program accounts with or through us. This arrangement could create an incentive for us to recommend investment managers or model portfolios with lower portfolio turnover rates. This arrangement may also create a financial incentive for investment managers or overlay managers to refrain from searching as actively among other securities brokers and dealers for best execution.

RBC WM executive offices are located at RBC Plaza, 60 South Sixth Street, Minneapolis, MN 55402-4422. We service our clients from numerous branch offices located throughout the United States.

RBC CM corporate headquarters are located at 3 World Financial Center, 200 Vesey Street, New York, NY 10281.

RBC GAM (U.S.) is an affiliate of RBC CM. RBC GAM (U.S.) is an SEC-registered investment adviser providing taxable and tax-exempt fixed income and portfolio management services to federal, state and local entities (separately managed and pooled funds); corporations; financial, insurance and health care institutions; pension and profit-sharing plans; foundations and endowments; registered investment companies and individuals. On occasion, RBC CM solicits clients for RBC GAM (U.S.) individually

managed account services. RBC CM also sweeps some account credit balances into RBC GAM (U.S.) advised money market funds.

RBC CM and RBC GAM (U.S.) are wholly-owned subsidiaries of RBC USA Holdco Corporation, which is a wholly-owned indirect subsidiary of Royal Bank of Canada.

Royal Bank of Canada owns shares of certain series of preferred stock in Placemark Holdings, Inc., the parent company of Placemark Investments, Inc. Royal Bank of Canada does not control Placemark Investments, Inc. for regulatory purposes and Placemark Investments, Inc. disclaims control by Royal Bank of Canada.

Client may select O'Shaughnessy Asset Management ("O'Shaughnessy") as their Investment Manager in the Managed Account Program. Royal Bank of Canada owns a minority interest in O'Shaughnessy, but Royal Bank of Canada does not control O'Shaughnessy for regulatory purposes.

RBC WM and its affiliated banks, RBC Bank (USA) and RBC Bank (Georgia), N.A., receive financial benefits in connection with the RBC Bank Deposit Program. In addition to the fees RBC WM receives from the banks, RBC WM receives other compensation that is reflected by allocations made for reporting purposes. Through the RBC Bank Deposit Program, RBC Bank (USA) and RBC Bank (Georgia), N.A., will receive a stable source of deposits at a cost that may be less than other funding sources available to them. RBC Bank (USA) and RBC Bank (Georgia), N.A., intend to use deposits to fund current and new businesses, including lending activities and investments. The profitability on such loans and investments is generally measured by the difference, or "spread," between the interest rate paid on the deposits and other costs of maintaining the deposit accounts, and the interest rate and other income earned on those loans and investments made with the deposits. Fees earned by RBC WM through the RBC Bank Deposit Program will be in addition to the advisory fees paid to RBC WM. It should be noted that Royal Bank of Canada, through its affiliate, has entered into an agreement for the sale of RBC Bank (USA) to an unaffiliated third party. The closing of such sale is currently anticipated to be on or around March 2, 2012. At such time, RBC Bank (USA) will no longer be an affiliated bank. Prior to the closing of the sale, and pending any necessary regulatory approvals, it is anticipated that balances in RBC Bank (USA) will be transferred to RBC Bank (Georgia), a bank affiliated with RBC WM.

The Credit Interest Program option represents our direct obligation to repay the invested amount, on demand, plus interest. We invest Credit Interest Program assets and periodically adjust the interest rate payable on Credit Interest Program accounts. The spread between interest earned by us from our investments and the rate paid to Credit Interest Program account holders may be favorable

to us. Because we do not waive the Program fees, to the extent that your cash balance is invested in the Credit Interest Program, we earn duplicate income on such investments. The Credit Interest Program is not available to retirement account clients or to those clients who reside in Louisiana or Utah.

We may receive payments from mutual fund companies, investment managers, model portfolio providers, ETP companies and overlay managers. We use this money for general marketing and educational programs, to offset compliance and product management costs, and to support client education, Financial Advisor education, and other internal programs and educational seminars. In return for the payments, fund companies and investment managers are given access to our branch offices for the purpose of educating our Financial Advisors and informing them about the available products. Our Financial Advisors do not receive any extra commission for selling funds from these companies, nor do they receive additional compensation by using a specific investment manager or overlay manager in one of our advisory Programs.

We may also receive payments to help offset administrative costs and the cost of maintaining shareholder accounts, a service which is typically performed by the mutual fund's transfer agent. Such services could include sending shareholder transaction confirmations and account statements; sending federal income tax information; maintaining shareholder records; calculating and disbursing dividends and capital gains; facilitating enforcement of prospectus requirements; and performing regulatory mailings.

Code of Ethics

Our Investment Adviser Code of Ethics, summarized below, is available separately upon your request. All covered personnel are subject to our Code of Ethics and must certify receipt and compliance with the Code of Ethics annually.

We are committed to ensuring that in our capacity as an investment adviser as well as a broker-dealer, we achieve the objectives below, as reflected in our Code of Ethics:

- Act in the best interests of our clients and not allow personal interests or the interests of the organization to take precedence over the interests of our clients;
- Act with due skill, care and diligence in conducting our business and all transactions and trading activities;
- Preserve client confidentiality at all times;
- Respect the intellectual property rights of others;
- Prevent and/or fully disclose any perceived or real conflicts of interest;
- Protect and promote the integrity of the market;
- Preserve honesty, integrity and trust in all communications with clients, employees and shareholders;

- Encourage and foster an organization and work environment that promotes the internal reporting through a defined escalation path regarding violations of the Code of Ethics as related to securities transactions, personal trading activities of employees and supervisory personnel, employee behavior, and the RBC Code of Conduct;
- Comply with applicable securities laws, rules, and regulations through leveraging an ethics-based approach;
- Promote honest and ethical conduct by all employees, Financial Advisors, and executives, including the ethical management of actual or apparent conflicts of interest between external, personal and professional relationships;
- Promote full, fair, accurate, and understandable disclosure in reports, documents, and client communications that we create, submit, and disseminate; and
- Establish accountability on the part of employees, Financial Advisors, and executives regarding adherence to the Code of Ethics.

Reviewing Accounts

At account opening, your Financial Advisor confirms that the account and the investment strategy are suitable investments for you. Your Financial Advisor is then responsible for reviewing your account on an ongoing basis. Your Financial Advisor will contact you at least annually and be available for consultation with you to discuss your accounts as well as your investment objectives and financial condition.

We conduct various account checks on a periodic basis (e.g., identifying and reviewing accounts with a high cash balance, and inactive accounts). See Item 4: *Services, Fees and Compensation* above for a discussion of account statements, investment monitoring and performance reports.

Client Referrals

Through our Advisory Referral Program, we provide investment advisory services to individuals, institutions, and other persons who have been referred to us by an independent third party ("Solicitor"). We enter into an agreement with the Solicitor whereby the Solicitor will refer potential clients to us. We will share a portion of the advisory fee we receive from clients (generally about 25% of the client fee) for successful referrals that result in the opening of one of our sponsored advisory Program accounts. We may pay a fee greater or less than 25%, depending on the facts and circumstances of the relationship.

We may receive referral fees from third-party investment advisers or from an affiliate of ours for successful client referrals made by our Financial Advisors. The investment adviser or affiliate shares a portion of the advisory fee it receives from the client with us pursuant to a referral agreement between us and the investment adviser. In the case where a Financial Advisor refers a client to an affiliate, there may be a monetary incentive for us to recommend an affiliate over other qualified and suitable non-affiliated advisors.

The client acknowledges the referral fee arrangement by signing the investment adviser's consent and disclosure document.

An RBC WM employee or an affiliate may also refer a client to an RBC WM Financial Advisor. As an incentive, the referring employee may receive a percentage or a portion of the fees paid by the client for selected services. The referring employee's role in the ongoing client relationship, if any, may vary depending on each client's particular situation.

The amount of the referral fee paid to us by a third-party investment adviser or by us to an employee providing a referral varies depending on the facts and circumstances.

Financial Information

We are not required to include a balance sheet in this brochure because we do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

We do not have any financial conditions that are reasonably likely to impair our ability to meet our contractual commitments to clients.

Neither RBC WM nor its predecessors have been the subject of a bankruptcy petition during the past 10 years.